

**INDIANA HOUSING FINANCE AUTHORITY
MORTGAGE CREDIT CERTIFICATE PROGRAM
BORROWER ELIGIBILITY**

A Borrower applying for a MCC must meet the following eligibility requirements:

- (A) **Must be a first time homebuyer** (i.e. has not, at anytime during the three (3) years preceding the date of loan closing, had an ownership interest in his/her principal residence). This requirement applies only to those persons executing the loan documents, not all members of the household. **However**, borrowers acquiring a residence in a Targeted Area are exempt from this requirement. See the list of Targeted Areas in Section 1 of this Guide.

1. **An ownership interest includes:**

- a. A fee simple interest;
- b. A joint tenancy, a tenancy in common, or a tenancy by the entirety;
- c. The interest of a tenant shareholder in a cooperative;
- d. A life estate;
- e. A land contract (i.e. a contract under which possession and the benefits and burdens of ownership are transferred although legal title is not transferred until some later time);
- f. An interest held in trust for the borrower(s) (whether or not created by the borrower(s)) that would constitute a present ownership interest if held directly by the borrower(s); or
- g. Ownership of a mobile home permanently affixed to real property and taxed as real estate.

2. **Interests that do not constitute ownership interest include:**

- a. A remainder interest;
- b. An ordinary lease;
- c. A mere expectancy to inherit an interest in a principal residence;

- d. The interest that a purchaser of a residence acquires upon the execution of a purchase contract;
 - e. An interest in other than a principal residence during the previous three (3) years; or
 - f. Ownership of a mobile home not permanently affixed to real property and taxed as personal property.
- (B) **Must be income-eligible.** Borrowers who are applying for a MCC must meet income limits for the program. Income eligibility varies by county and must be determined by the income limits in which the residence to be purchased is located. Federal income limits for the MCC program are included in this section.
- (C) If a borrower is separated from their spouse, a legal separation agreement or a petition for dissolution is required prior to preliminary approval.

Income eligibility includes certain sources of income that a lender typically does not consider in determining eligibility or credit-worthiness for non-federally-assisted conventional financing. However, the income standards for these programs are set forth in program regulations and must be followed. The Gross Annual Income of the Borrower(s) must be considered, *as well as the income of any other person intending to reside in the residence who is the age of eighteen (18) and over and not a full-time student.*

Gross Annual Income includes gross pay from employment, including any part-time, seasonal, or sporadic income, shift differentials, overtime pay, and bonuses. Gross Annual Income also includes:

- 1. Child support, alimony and separate maintenance payments;
- 2. Periodic payments for trust, annuities, inheritances, insurance policies, pensions, retirement funds and lotteries;
- 3. All public assistance payments (excluding Medicaid and food stamps) including any amount by which educational grants, scholarships, and/or Veteran Administration educational benefits exceed expenses for tuition, fees, books, and equipment and reasonable rent and utility costs for a student living away from home;
- 4. Interest and dividends;
- 5. Payments in lieu of earnings, including social security, unemployment benefits, worker's compensation, severance pay, disability or death benefits;

6. Income from partnerships;
 7. Rental income for property owned;
 8. Recurring monetary contributions or gifts regularly received from a person not living in the residence; and
 9. All regular pay, special pay and allowances of a member of the Armed Forces not including hazardous duty pay.
- (D) **Must reasonably expect to reside in the property as his principal residence within sixty (60) days** after the loan closing date on existing homes **AND** within sixty (60) days of completion for a newly constructed home.

FOR INCOME
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REFER TO
SUPPLEMENT